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SUBJECT: VIETNAM: AMBASSADOR'S CALL ON THE MINISTER OF CONSTRUCTION

1. SUMMARY. On February 3, the Ambassador paid an introductory call on Minister of Construction Nguyen Hong Quan. Minister Quan explained the role and functions of the Ministry of Construction (MOC), and he described MOC's vision for foreign involvement in the construction sector. The Ambassador raised U.S. investors' concerns over the difficulties of acquiring land use rights, and he advocated on behalf of Black & Veatch, a U.S. consultant seeking a contract for an Asian Development Bank (ADB) wastewater project. They also discussed MOC's efforts to improve access for disabled persons in Vietnam. END SUMMARY.

MOC Function and Responsibilities

2. On February 3, the Ambassador paid an introductory call on Minister of Construction Nguyen Hong Quan. The Minister described MOC's primary responsibility as insuring that quality and management of construction projects in Vietnam meet the highest possible standards. He asserted that MOC did so by issuing building codes and standards that apply to construction management, architectural design and planning, housing management, urban infrastructure development, and production of building materials. Quan added that MOC's mandate from the GVN directs it to focus on oversight in the interest of public safety, and in this capacity MOC does not interfere in the business affairs of Vietnam's construction companies, both private and state-owned. Noting that State-owned Enterprises (SOE) dominate many sectors of Vietnam's economy, Quan emphasized that MOC supports equitization (privatization) of Vietnam's construction SOEs. Near the close of the meeting and in response to some issues raised by the Ambassador, Quan articulated three critical areas on which MOC was focusing on improving its capacity and would welcome increased cooperation with the United States: urban planning, low-income housing and access for the disabled.

Foreign Investment In Vietnam's Construction Sector

3. The Ambassador encouraged the Minister to consider the high quality of American technology and management expertise when making purchasing decisions adding that increased U.S. investment in Vietnam would also mean greater job creation. Quan expressed an interest in increasing interaction between Vietnamese and U.S. firms mainly as a means of transferring knowledge of how to better manage large construction projects. For this reason, Quan added, MOC encourages foreign participation on large construction projects, but he did not confirm whether this was an official policy as Post understands it to be. However, Quan stated repeatedly that Vietnam's construction sector is open to foreign investment without any limitations so long as these companies are properly licensed, abide by all regulations and follow the tendering process. While MOC welcomes foreign involvement in large-scale projects, Quan is of the opinion that consultant fees from many U.S. firms are too high. The Ambassador responded that he considers American firms' services to be of the highest quality and that they are competitively priced.

Acquisition Of Land Use Rights

4. The Ambassador raised the concerns voiced by some U.S. firms over the difficulty of acquiring land use rights for approved projects in the areas designated by the GVN for their business development. Quite often this process is time-consuming and the price paid to tenants is much higher than the prices quoted by the GVN. The Ambassador noted that a national policy that clearly defines the process seems to be lacking. Quan argued that the process is not too complicated and recommended that foreign investors locate their operations in designated industrial zones in order to minimize problems with individual tenants.

Black and Veatch and The ADB Wastewater Drainage Project

5. The Ambassador advocated on behalf of Black & Veatch (BV), a U.S. consulting firm competing for an Asian Development Bank wastewater drainage project in central Vietnam. According to the Minister, wastewater treatment is

a focus area for which MOC is trying to improve standards. Quan said that he is aware of BV's interest in the project and welcomes its proposal. He also stressed that BV needs to insure that it participates in the tendering process. Comment: Quan's comment about the tendering process was somewhat strange since BV has been operating in Vietnam for quite sometime and has experience with ADB and other donor and GVN projects. Representatives of the company met with Quan following the Ambassador's call. End Comment.

MOC'S Role In Assisting People With Disabilities

16. In response to the Ambassador's queries about MOC's efforts to improve access for Vietnam's disabled citizens, Quan noted that this was another area where MOC is trying to improve standards and promote the use of designs and construction techniques that accommodate disabled persons. The Ambassador drew attention to the high percentage of Vietnam's population living with disabilities and touted the economic and social benefits of improving access to transportation and buildings in general. Quan said he was appreciative of the U.S. Government's support to Vietnam in this area over the past 10 years, and he would welcome cooperation on this issue. The U.S. Government has successfully brought together relevant government agencies, businesses, and non-governmental organizations to find solutions, explained the Ambassador. He added that the Embassy was willing to help the GVN to seek solutions to this issue here in Vietnam.

17. (SBU) Comment: The Minister did not appear well-prepared for this meeting, and he even acted impatient at times. His comments about MOC's degree of separation from state construction firms rang hollow, especially as he head on an elegant suit that probably cost USD 600 or more. Minister Quan is a member of the Central Committee of the Communist Party of Vietnam. In closing, Quan readily accepted the Ambassador's offer to try to arrange additional meetings during trips to the United States by MOC officials, particularly with urban planners or public housing authorities. End Comment.

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